A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

R4105-6A

OCTOBER, 1985

SUMMARY

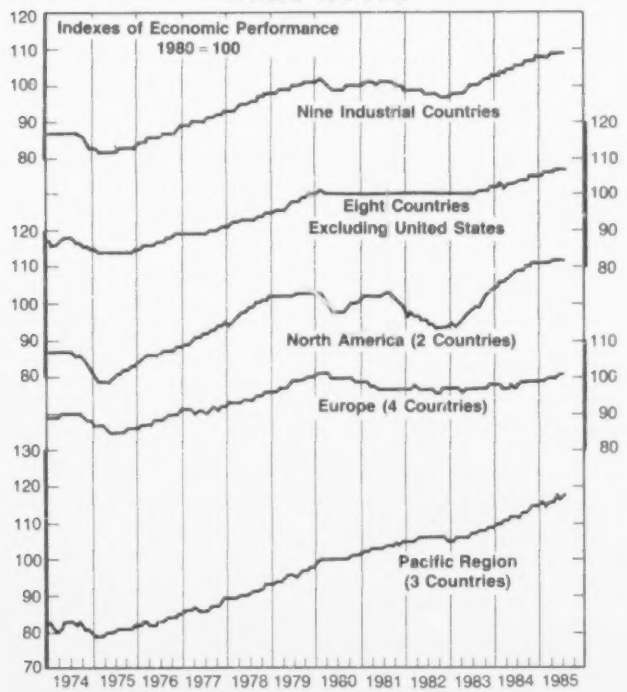
The leading indexes continue to turn in mixed projections for the major industrial countries. The signals still point predominately toward rising economic activity, but at widely varying speeds. At its latest reading the composite index for the nine countries as a group registered an annualized growth rate of 4%. Australia held on to its top position with a rate of 13%, while Italy surged into second place, at 10%. Growth rates in the early-moving indexes for other countries ranged from 7% for Japan down to –1% for the United Kingdom. The U.S. index has moved out of its growth recession lethargy, with a 3% growth rate for August, up from 1% three months earlier.

The performance index, which covers output, employment, income and sales, registers expansion for the group of nine combined at a modest 3% rate. Here, too, Australia is at the top, with an 8% growth rate. In sharp contrast, expansion has faltered in France and Taiwan, R.O.C.

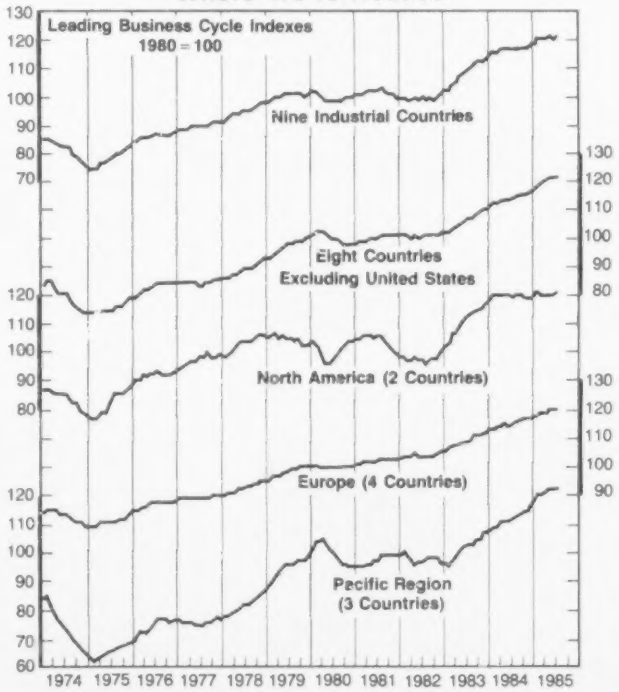
	Ten-year Growth Rate 1969-79	Leading Business Cycle Indexes Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Indexes of Economic Performance Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
	annual rates, percent								
9 countries	4	4	4	4	4	3	3	Expansion continuing	July
8 countries ex. U.S.	4	6	7	6	3	3	4	Expansion continuing	July
Europe (4)	3	3	5	4	1	3	3	Expansion continuing	July
Pacific Region (3)	5	10	11	8	6	4	4	Expansion continuing	July
North America (2)	3	1	1	2	4	4	2	Expansion reviving	July
United States	3	2	1	3	4	3	3	Expansion reviving	Aug.
Canada	4	4	4	4	4	4	4	Expansion steady	July
West Germany	3	1	5	6	4	4	5	Expansion continuing	July
France	4	5	6	2	–2	0	1	Recovery faltering	Aug./June
United Kingdom	2	3	2	–1	3	3	3	Expansion steady, leaders weak	July
Italy	3	5	8	10	3	2	4	Expansion continuing	July/May
Japan	5	11	11	7	6	4	4	Expansion continuing	July
Australia	4	8	13	13	7	4	8	Expansion continuing	July
Taiwan, R.O.C.	10	5	5	4	2	3	–1	Expansion nearly stalled	Aug.

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are



Where We're Headed



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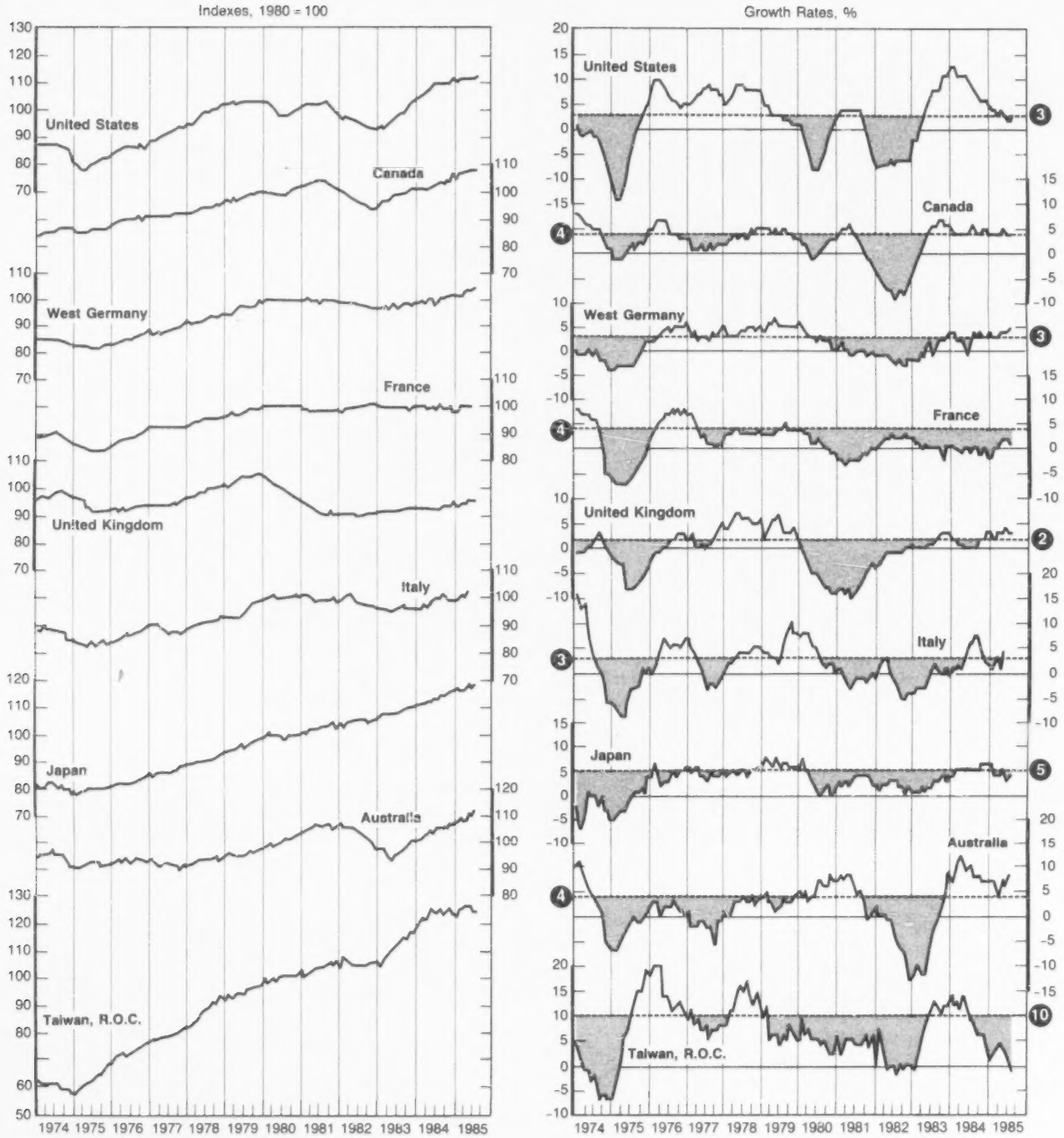
Where We Are

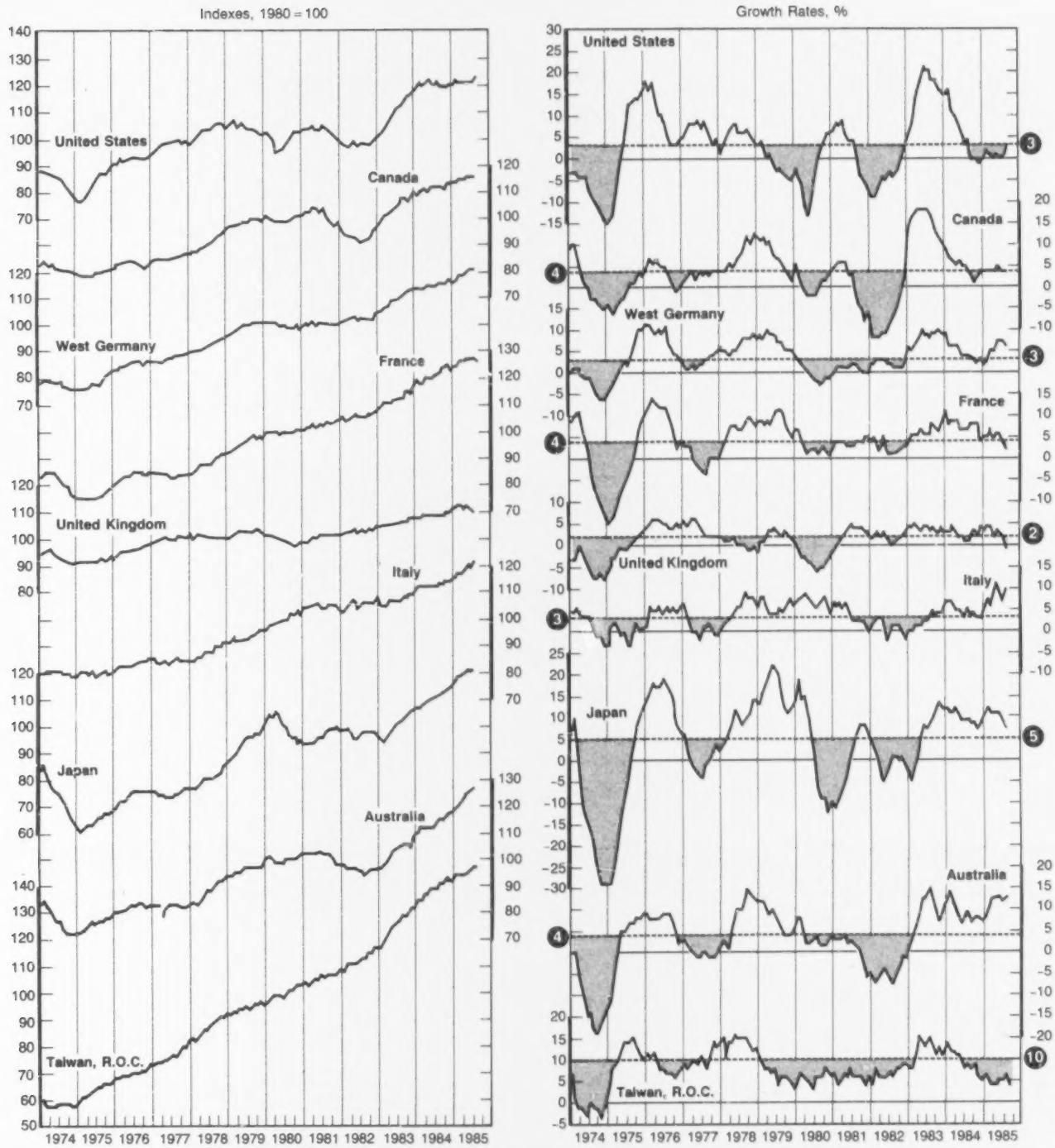
Indexes of Economic Performance



Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and The Conference Board

Where We're Headed

Leading Business Cycle Indexes



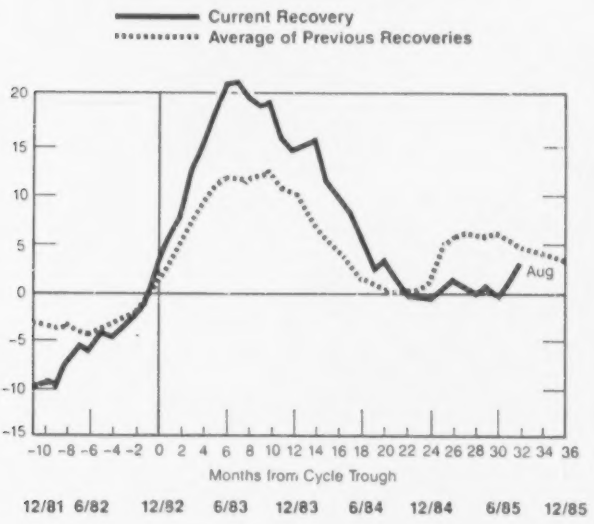
Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP

Sources: CIBCR and The Conference Board

RECOVERY PATTERNS IN THE LEADING INDEXES

A standard and useful way to judge the strength of an ecomonic recovery is to compare it with previous recoveries. The economic indicators reported in the *Scoreboard* are particularly suitable for this purpose because their content is comparable across countries and their historical record is available to identify successive cycles. What this record shows is that economic growth seldom runs at a steady pace. There are periods of a year or two during which the economy grows at a rate higher than is typical over the longer run, followed by slowdowns or recessions when the growth rate is below average. In the United States, for example, the latest upswing began at the end of 1982 and continued until mid-1984 when growth slowed dramatically. Most of the other industrial countries also started on the recovery path late in 1982 or early in 1983.

Recovery Patterns, United States
Growth Rates in Leading Business Cycle Indexes



Note: Recoveries start from the growth cycle trough month in each country, as determined by the Center for International Business Cycle Research.

The June and August issues of the *Scoreboard* provided cyclical comparisons based on the economic performance indexes. Here (see charts below and on next page) we use the indexes of leading indicators. The normal cyclical pattern for the leaders is similar to the performance indexes—the growth rates climb to a peak during the first year of an upswing then recede to lower levels—but (as would be expected) the leaders move a few months earlier than the economy as a whole.

In the U.S. and Canada the leading index growth rates since 1982 have shown a rise and fall very much like their previous average pattern but climbing higher in 1983 and falling more sharply in 1984. The stability in these rates during 1985 has been quite typical, though the Canadian index has risen faster than average and the U.S. index more slowly. The leading index for Taiwan, R.O.C., also conformed closely to its average pattern until the end of 1984 but since then has shown more weakness than usual, doubtless reflecting conditions in the U.S., its chief trading partner.

The leading indexes for West Germany, the United Kingdom, Japan and Australia have risen at more stable rates, on the whole, during their current recovery than their past recovery patterns show. This augurs well for continued expansion in these countries, although the recent dip in the U.K. index bears watching.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, two types of index are shown for each country: an index of economic performance and a leading index. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they *define* the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see "What the Leading Indicators Indicate," *Across the Board,* April 1980 and *Business Cycles, Inflation and Forecasting,* Ballinger Publishing Co., 1983.) Considerable variation in the length of lead is to be expected, however. Constant monitoring is needed to make effective use of the system and get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

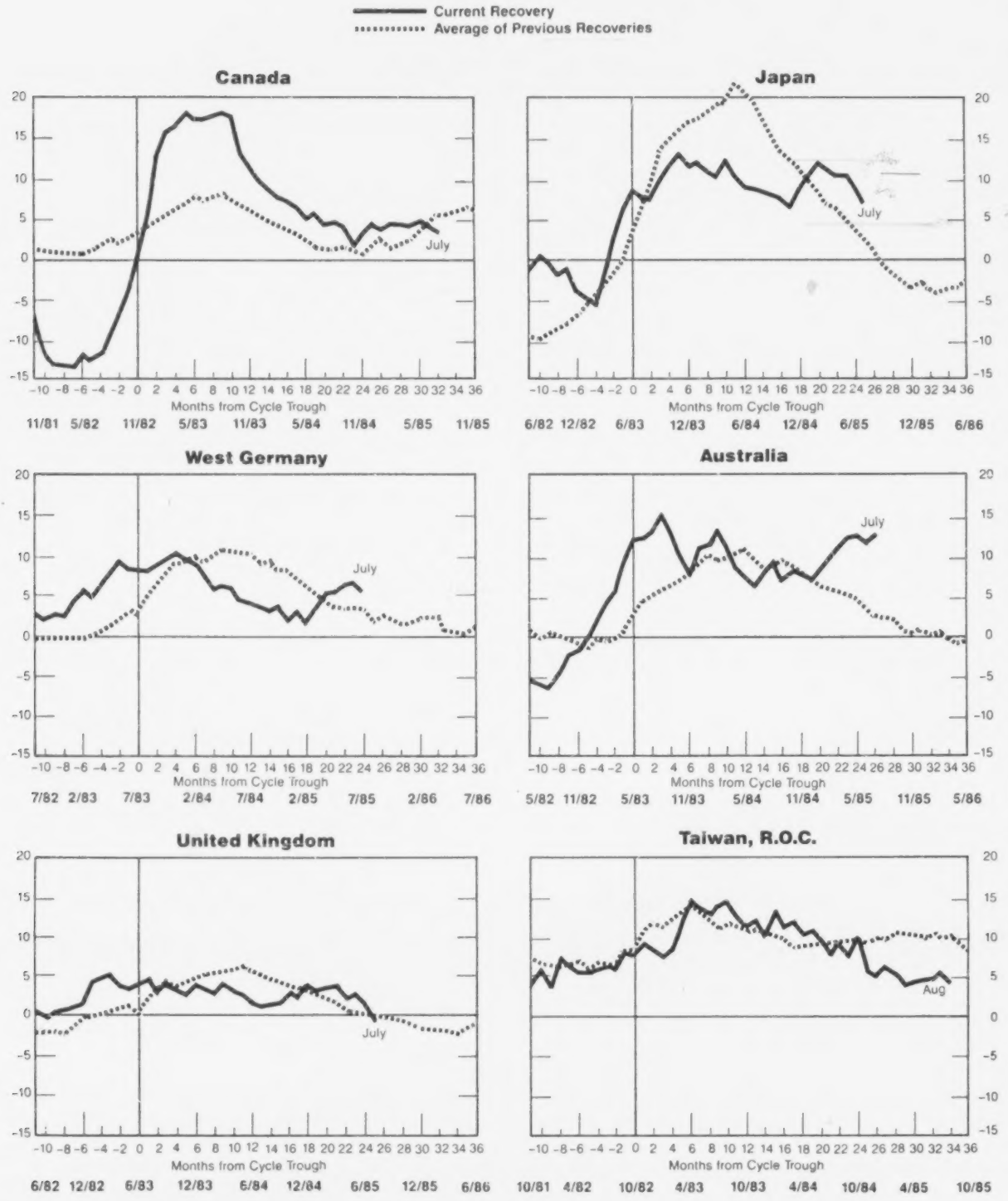
For More Information

To find out more about this indicator system and the availability of detailed data for each country please address inquiries to:

Center for International Business Cycle Research
Columbia Business School
New York, New York 10027
Telephone: 212-280-2916

Recovery Patterns, Six Countries

Growth Rates in Leading Business Cycle Indexes



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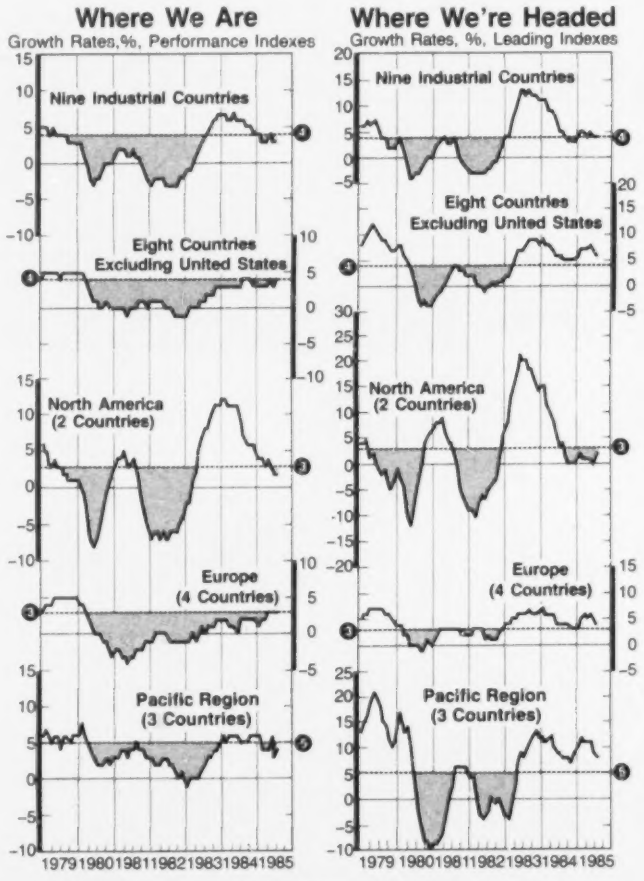
INDEXES, NINE COUNTRIES, 1983-85

		U.S.		Canada		West Germany		France		Italy		U.K.		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
May	84	109	121	102	110	100	115	100	120	98	112	93	109	112	110	104	112	124	139
June	84	110	120	103	112	98	115	99	120	99	112	93	109	113	110	104	112	123	139
July	84	110	120	104	112	100	115	100	121	100	112	93	109	113	111	105	114	123	139
Aug.	84	110	121	104	112	101	116	100	122	100	113	93	109	114	112	105	115	124	141
Sept.	84	110	120	104	112	101	116	100	123	101	113	94	109	114	113	106	115	123	141
Oct.	84	110	119	105	111	102	116	99	123	100	114	94	110	115	113	106	116	124	143
Nov.	84	111	120	105	112	102	116	99	124	99	114	94	110	116	113	107	117	125	142
Dec.	84	112	120	106	113	102	117	99	123	99	114	95	111	116	115	107	117	124	142
Jan.	85	111	120	105	114	102	116	98	124	99	116	94	111	117	117	108	119	123	144
Feb.	85	112	122	106	114	102	117	99	125	100	117	94	112	116	119	109	120	124	144
Mar.	85	112	121	106	115	102	119	100	126	101	117	95	112	116	119	108	122	125	144
Apr.	85	112	121	107	115	103	119	100	126	100	118	95	111	117	120	108	124	126	144
May	85	112	121	107	116	104	120	100	127	102	121	96	112	118	121	111	125	126	145
June	85	112	120	108	116	104	121	100	127		119	96	111	117	121	110	126	126	146
July	85	112	121	108	116	105	121		127		122	96	110	118	121	112	127	124	147
Aug.	85	113	123						126									124	147
		Growth Rates, Percent																	
May	84	12	8	4	5	2	6	−1	9	3	5	0	2	5	11	12	8	14	11
June	84	11	6	4	6	−1	4	−1	7	5	4	0	2	5	9	9	7	11	10
July	84	9	3	6	5	3	4	0	7	6	3	0	1	5	9	10	9	9	8
Aug.	84	8	4	5	5	4	4	0	7	7	5	0	1	5	9	8	9	8	9
Sept.	84	7	2	4	4	3	3	0	8	7	3	1	2	5	8	8	7	6	8
Oct.	84	6	0	4	1	4	3	−1	7	4	4	2	3	6	8	7	8	6	9
Nov.	84	6	0	5	3	3	2	−1	7	3	3	3	2	6	7	7	8	6	6
Dec.	84	6	−1	5	4	3	3	−2	4	2	3	3	4	6	9	7	7	3	5
Jan.	85	4	0	4	4	4	1	−2	5	1	5	3	3	6	11	7	8	1	6
Feb.	85	4	2	4	4	3	3	0	5	2	7	2	4	4	12	7	10	2	5
Mar.	85	3	1	4	4	3	5	0	7	3	6	3	4	4	12	5	11	3	4
Apr.	85	4	0	4	4	4	5	1	5	1	8	3	2	4	11	4	13	4	4
May	85	3	1	5	5	4	7	2	6	4	11	4	3	5	11	7	13	3	5
June	85	2	0	4	4	4	7	1	6		7	3	2	3	9	6	12	2	5
July	85	2	1	4	4	5	6		4		10	3	−1	4	7	8	13	0	6
Aug.	85	3	3						2									−1	4
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
May	84	105	116	103	113	108	120	98	115	112	111
June	84	106	116	103	113	109	120	97	114	112	111
July	84	106	116	104	114	109	119	98	115	112	112
Aug.	84	106	117	104	114	109	120	99	115	113	113
Sept.	84	107	117	104	115	110	120	99	116	113	114
Oct.	84	107	117	105	115	110	119	99	116	114	115
Nov.	84	107	117	105	115	111	119	99	116	115	115
Dec.	84	108	118	105	116	111	119	99	117	115	116
Jan.	85	108	118	105	117	111	120	99	117	116	118
Feb.	85	108	120	105	118	111	121	99	118	115	120
Mar.	85	108	120	106	119	111	120	100	119	116	120
Apr.	85	109	120	106	120	112	120	100	119	116	121
May	85	109	121	107	121	112	120	100	120	118	122
June	85	109	120	107	121	112	120	101	120	117	122
July	85	109	121	107	121	112	121	101	120	118	122
		Growth Rates, Percent									
May	84	7	8	3	7	11	8	1	6	6	10
June	84	6	6	3	6	11	6	0	4	6	9
July	84	6	5	3	6	9	3	2	4	5	9
Aug.	84	5	5	4	6	8	4	2	4	5	9
Sept.	84	5	4	4	5	7	2	2	4	5	8
Oct.	84	5	3	4	5	6	0	2	4	6	8
Nov.	84	5	3	4	5	6	0	2	3	6	7
Dec.	84	4	3	3	5	6	0	2	3	6	9
Jan.	85	4	4	3	6	4	1	1	3	6	10
Feb.	85	3	5	3	7	4	2	2	5	4	12
Mar.	85	3	5	3	7	3	1	2	6	4	11
Apr.	85	3	4	3	7	4	1	3	5	4	11
May	85	4	5	4	8	3	1	3	6	6	11
June	85	3	4	3	7	2	0	3	5	3	9
July	85	3	4	4	6	2	2	3	4	4	8
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5


Where We Are
Growth Rates,%, Performance Indexes
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1979 1980 1981 1982 1983 1984 1985
Where We're Headed
Growth Rates, %, Leading Indexes
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
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1979 1980 1981 1982 1983 1984 1985

Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and The Conference Board